

Message Text

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12

ACTION EA-14

INFO OCT-01 ADP-00 PM-07 NSC-10 SS-15 RSC-01 CIAE-00

INR-10 NSAE-00 MC-02 AID-20 IGA-02 EB-11 COME-00

XMB-07 TRSE-00 OMB-01 L-03 RSR-01 /105 W

----- 032853

R 230613 Z JUN 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7521

INFO CINCPAC

DOD

C O N F I D E N T I A L JAKARTA 7510

FOR EA/ IMS ATTENTION DONALD TOUSSAINT

CINCPAC ALSO FOR POLAD

DOD FOR ISA

E. O. 11652: GDS

TAGS: MASS, MILI, ID

OVSUBJECT: SMALL ARMS FACILITY

1. YOU WILL REMEMBER THAN HANKAM HAS ON SEVERAL OCCASIONS
RAISED WITH US THE POSSIBILITY OF SOME SORT OF FMS
CREDITS OR GUARANTEES FOR THE CONSTRUCTION OF A SMALL
ARMS FACILITY. WE HAVE CONSISTENTLY ENCOURAGED THEM
TO LOOK TO PRIVATE FINANCING, MOST RECENTLY IN MY MAY
28 LETTER TO PANGGABEAN (COPY IN DEPARTMENT).

2. RECENTLY THROUGH MR. CEDERBERG OF LOCKHEED AIR-
CRAFT, WE HAVE BEEN INFORMED THAT HASNAN HABIB
CONSIDERS A SMALL ARMS PLANT " STILL OF HIGH PRIORITY
INTEREST TO THE GOI BUT NOT TOP PRIORITY."
HABIB STATED NON- INDONESIAN FINANCING MUST BE PROVIDED
SINCE GOI FINANCING FOR MAJOR PROJECTS IS TIED UP
THROUGH 1978. CEDERBERG ADDED THAT DOD HAD TOLD MR.
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PRILL, PRESIDENT OF LOCKHEED AIRCRAFT INTERNATIONAL,
THAT THERE WAS LITTLE HOPE OF FMS CREDITS FOR A SMALL

ARMS FACILITY, BUT THAT OTHERWISE THERE WOULD BE NO
DIFFICULTY IN GETTING NECESSARY PERMISSION TO EXPORT
THE EXPERTISE AND MANUFACTURING RIGHTS FOR THE AR-18
RIFLE.

3. SEPARATELY, EDWARD LITKE, COLT SPECIAL REPRESENTATIVE,
WROTE GENERAL SUPRAPTO, CONFIRMING THAT COLT IS INTERESTED
IN ESTABLISHING A MANUFACTURING FACILITY IN INDONESIA

TO PRODUCE THE M-16 RIFLE, AND " A GREAT MANY OTHER THINGS
FOR THE NON- MILITARY AND CIVILIAN NEEDS OF INDONESIA."
LITKE NOTED THAT SUCH A FACTORY WOULD REQUIRE SOME
RELATIVELY LONG CREDIT TERMS, AND OPINED THAT WE FEEL
THIS WOULD BE POSSIBLE AND ACCEPTABLE UNDER EXISTING
IGGI AGREEMENTS.

4. ACTION REQUESTED: IN VIEW OF LIKELY CUT IN MAP
APPROPRIATIONS, I BELIEVE -- AS WE HAVE SUGGESTED IN
PARA SUBMISSION AND REPLY TO UNDER SECRETARY TARR
(REF A AND B) -- THAT IT IS DESIRABLE WE RE- EXAMINE
THE EXISTING COMPREHENSIVE PROHIBITION ON THE USE OF
FMS CREDITS OR GUARANTEES. I WOULD THEREFORE APPRECIATE
YOUR DISCUSSING WITH THOSE CONCERNED IN STATE, DOD AND
THE NSC THE POSSIBILITY OF SOME SORT OF FMS CREDIT OR
GUARANTEE FOR A SMALL ARMS FACILITY (WHICH HOPEFULLY
WOULD BE A FINANCIALLY SOUND VENTURE) IF A GREATLY
REDUCED MAP FINDS US LOOKING HARD FOR OTHER WAYS TO
ASSIST THE INDONESIANS MILITARILY. I WOULD NOT, OF
COURSE, WANT ANY ACTION OF THIS KIND TO SHORTEN OR
OTHERWISE ADVERSELY AFFECT OUR ABILITY CONTINUE PRESENT
GRANT MAP AT APPROXIMATE LEVELS WE HAVE PLANNED.
GALBRAITH

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NNNNMAFVVZCZ

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